



Lender Overview

FHA's Nonprofit Programs

This document reflects current policy related to this topic. Its content is approved for use in all external and internal FHA-related lender trainings.





Overview of FHA Programs for Nonprofits

FHA offers nonprofit organizations (“nonprofits”) the opportunity to obtain HUD approval to participate in the following FHA programs:

- **Secondary Financing** (24 CFR 203.32(b)) – nonprofits provide assistance to homebuyers at or below 115 percent of the area median income for down payment and costs associated with the mortgage transaction.
- **HUD Homes** (24 CFR 291.210(a)) – nonprofits purchase HUD homes at discounts up to 30 percent under a direct sales program.
- **FHA Mortgagor** (24 CFR 203.18(c)) – nonprofits are eligible to become borrowers with FHA-insured mortgages



Secondary Financing

1. What is secondary financing?

Any financing other than the first mortgage that creates a lien against the property is considered secondary financing.

2. Who can provide secondary financing in conjunction with FHA-insured mortgages?

Government entities and HUD-approved nonprofits may provide secondary financing in conjunction with FHA-insured mortgages.

3. Is there a requirement to record second mortgages?

Yes, secondary financing mortgages must be recorded.



Secondary Financing

The borrower's minimum required investment (MRI) may be provided by:

- Federal, state and local government agencies;
- Nonprofit instrumentalities of government;
- Section 115 entities;
- Nonprofits that close the secondary financing legal documents and name the government entity as Mortgagee (ML 14-08); and
- HUD-approved nonprofits that close the loan in their own name and assign it to the government entity, so the secondary financing is held by the Government Entity prior to endorsement of the first mortgage (MLs 13-14 & 14-08).

HUD-approved nonprofits may provide secondary financing for:

- Closing costs;
- Down payment exceeding the borrower's MRI;
- Prepaid Expenses; and
- Other costs associated with the mortgage transaction.



HUD Homes

- Overview
- Discount amounts – 10%, 15% or 30%
- Land Use Restriction Addendum (LURA) – ML 2001-30
- Eligible buyers – 115% AMI or lower
- Property Flipping



HUD Homes

Property Flipping Waiver (77 FR 71099 (November 29, 2012)) which expires on December 31, 2014, applies to HUD Homes.

It waives 24 CFR 203.37a(b)(2) which prohibits the use of FHA-insured mortgages on properties which have been resold within 90 days or less following the date of acquisition by the seller.

To be eligible for the waiver:

- The transaction must be at arms-length, with no identity of interest between the parties.
- Certain conditions apply when the resale price is greater than 20% above the seller's acquisition cost.
- The transaction involves a forward mortgage.



FHA Mortgagor

For HUD-Approved Nonprofit FHA Mortgagors:

- Credit evaluation guidelines in ML 1996-52 are used to underwrite the HUD-approved nonprofit's loan application for a mortgage. Updates to these guidelines have been posted in ML 1997-05, ML 2000-08 and ML 2002-01.
- 203(b) and 203(k) are both acceptable loan products. Nonprofits are prohibited from having more than 10 uncompleted homes at one time if using the 203(k) mortgage product.
- Nonprofits are permitted to acquire homes for sale or lease.
- When HUD approves nonprofits to become an FHA mortgagor, HUD may restrict the number of loans it will insure for nonprofits with limited housing provider experience.





Nonprofit Approval & Placement on the Nonprofit Organization Roster

The jurisdictional HOC approves or denies the nonprofit agency's participation in FHA programs.

- The approval is valid for a two-year period for a geographical location.
- HUD-approved nonprofits wishing to expand activities into other geographical areas must seek approval from the jurisdictional HOC.
- If a nonprofit is found to not be in compliance with any aspect of its approval, it may be rescinded by any HOC prior to the expiration of the two-year period.



Nonprofit Roster -- <https://entp.hud.gov/idapp/html/f17npdata.cfm>

Nonprofits

Single Family lenders are required to obtain and submit information on nonprofit agencies and nonprofit instrumentalities that provide secondary financing assistance in conjunction with an FHA insured mortgage. This website allows users to obtain this information. [help](#) is available online. For comments or other questions, click [here](#).

NOTE: HUD approval is not required for units of Government (Federal, State and Local), or Government agencies/entities. Instrumentalities of Government that are not also nonprofit organizations are not reflected on this roster. HUD does not include mortgage providers. Mortgage lenders are responsible for assuring that a Government Entity DAP provider meets all appropriate requirements under HUD 1994-2, 2002-22, and HUD Handbook 4155.1.

Sorted By:

Legal Name ▼

Legal Name:

Authorizations

FHA Borrower:

☐

REO:

☐

Secondary Financing:

☐

Home Ownership Center:

All HOCs ▼

Participating State:

All States ▼

City Name:

Send

Reset



Nonprofit Organization Roster – Nonprofits List

Nonprofits List


 Message: NONPROFITS REQUEST SUCCESSFULLY COMPLETED
SUCCESS

Nonprofits as of 03/27/2014
(10 records were selected, records 1 through 10 displayed)

Legal Name	Address/Phone Number	Participating States	Authorizations	Limitations Exist
COLORADO HOUSING ASSISTANCE CORPORATION	670 SANTA FE DRIVE DENVER, CO 802040000 (303) 572-9445 Ext: 0016	CO	Secondary Financing	Full Yes
COMMUNITY RESOURCES & HOUSING DEVELOPMENT CORP.	7305 LOWELL BLVD., SUITE 200 WESTMINSTER, CO 800300000 (303) 428-1448 Ext: 0229	CO	REO Secondary Financing	Full Full Yes
FUNDING PARTNERS FOR HOUSING SOLUTIONS	3305 SOUTH COLLEGE AVENUE FT. COLLINS, CO 805240000 (970) 494-2021	CO	Secondary Financing	Full Yes
HABITAT FOR HUMANITY OF METRO DENVER	3245 ELIOT STREET DENVER, CO 802110000 (303) 534-2929 Ext: 0309	CO	REO	Full Yes



https://entp.hud.gov/?tin=742229383 - Nonprofits Detail - Windows Internet Explorer



FHA Connection

Nonprofits Detail

Legal Name: COLORADO HOUSING ASSISTANCE CORPORATION

Address: 670 SANTA FE DRIVE
DENVER, CO 802040000

Phone: (303) 572-9445 Ext: 0016

Authorizations:

Secondary Financing	Full
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Participating States: CO

Limitations: Nonprofit Instrumentality of Government- Secondary financing. approved for 100% financing and to operate statewide in Colorado

Non Profit Maximums:

REO Ownership	REO Annual Purchase	FHA Mortgages
0	0	0



Exception to Nonprofit Approval

HUD approval and placement on the Nonprofit Organization Roster is required for all nonprofits participating in FHA programs.

Exception: Nonprofits assisting with the operation of a government entity's secondary financing assistance program are not required to obtain HUD approval and placement on the Nonprofit Organization Roster so long as:

- (1) there is a documented agreement that the functions performed are limited to the government entity's secondary financing program, and
- (2) the secondary financing legal documents name the government entity as the mortgagee.



Nonprofit Approval - FAQs

- Do instrumentalities of government require HUD approval?
- Where do I find the list of HUD-approved instrumentality of government assistance programs?
- How do I determine whether an organization is considered an instrumentality of government?
- Do nonprofits need HUD approval to provide assistance in the form of a “gift” to the borrower?
- Are nonprofits seeking HUD approval required to submit legal documents in connection with their assistance programs for HUD review?



Nonprofit Approval - FAQs

- Where do I find a roster of HUD-approved nonprofits?

(HINT: <https://entp.hud.gov/idapp/html/f17npdata.cfm>)

- How does a nonprofit become HUD-approved to purchase properties at a discount?

(HINT: http://www.hud.gov/offices/hsg/sfh/np/np_home.cfm)



Mortgagee Letters and References

- Nonprofit Applications – ML 2002-01
- HUD Homes Program – ML 2001-30
- FHA Mortgagor Program – ML 1996-52, ML 1997-5, ML 2000-08 & ML 2002-01
- Secondary Financing Program – ML 1994-2, ML 2002-22
- “Prohibited Sources” - Housing Economic Recovery Act of 2008 - 12 USC 1709(b)(9)(C)
- HERA Interpretive Rule – 77 FR 72219 (December 5, 2012)
- Minimum Cash Investment/Acceptable Documentation – ML 2013-14
- http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/np/np_home
- Section 115 entities treated as “instrumentalities of government” – ML 12-24
- Guidance on Nonprofits Assisting Government Entities in Providing Secondary Financing in Conjunction with FHA-Insured Mortgages, ML 14-08